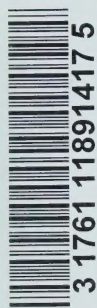


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MINISTRY OF TRANSPORTATION

PROPERTY OFFICE

CONSULTANT APPRAISER'S HANDBOOK



Ministry
of
Transportation

Ontario

ISBN 0-7778-6676-5

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To all users of the: **CONSULTANT APPRAISER'S HANDBOOK**

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GENERAL PRINCIPLES FOR ALL APPRAISAL REPORTS

MTO has taken on a "hands-off" approach when an MTO assignment is being completed by a consultant. The consultant is clearly responsible for the quality of the finished product, including errors and/or omissions. The role of the MTO contact is one of liaison, facilitation, coordination, overall steering and guiding.

Notwithstanding the fact the ministry expects all appraisal reports to meet the Code of Professional Ethics of the Appraisal Institute of Canada and the Uniform Standards of Professional Appraisal Practice, adherence to the following ministry requirements and guidelines is also necessary.

TAX COMPLIANCE DECLARATION:

The Ontario Government expects all suppliers to pay their provincial taxes on a timely basis. In this regard, bidders are advised that any contract with the Ontario Government will require a declaration from the successful bidder that his/her company's provincial taxes are in good standing.

In order for a company to be considered for a contract award, the bidder must submit the following statement of the company's tax compliance status:

I/We hereby certify that _____, at the time of submitting
(name of company)

this bid, is in full compliance with all tax statutes administered by the Ministry of Finance for Ontario and that, in particular, all returns required to be filed under all provincial tax statutes have been filed and all taxes due and payable under those statutes have been paid or satisfactory arrangements for their payment have been made and maintained.

NOTIFICATION OF PERFORMANCE RATING AFFECTING SUBSEQUENT SELECTION:

Consultants are hereby put on notice that the performance of the successful proponent will be evaluated by the ministry throughout the term of the contract. At its simplest, any proponent who performs well on a contract will be rewarded with a positive rating. For any proponent who does not perform well on a contract, there will be a negative rating.

By submitting a proposal/quotation, the proponents acknowledge they understand the intent of the ministry and agree that the ministry will use any rating system that may be developed for the successful proponent.

DISTRIBUTION AND RELEASE OF THE APPRAISAL:

The Freedom of Information & Protection of Privacy Act, has been in effect since January 1, 1988. The Act is intended to make the access to government records readily available, with as few exceptions to the release of the information as possible. The Act is also intended to protect the privacy of the individual with respect to information held by a government ministry or agency. The ministry has an obligation to provide as much information as possible without prejudicing MTO property negotiations and sales. MTO may release an appraisal to any third party after a "Property Purchase Agreement," "Agreement as to Compensation," a sale or rental is completed. The person(s) whose property is(are) directly affected, and/or those who represent affected owners, may be given a copy during negotiations (subject to personal and confidential information being removed from the appraisal).

COPYRIGHT:

The Government will own exclusively all property in materials produced or arising from the appraisal report, pursuant to or in contemplation of the performance of the services, and all copyright in such property in materials.

Within the Limiting Condition Section of the appraisal report the following statement must be included:

"Neither possession of this report nor a copy of it carries with it the right of publication. Normally, the authors retain copyright and seek to restrict the circulation and unauthorized use of the report by parties not holding a registered interest in the subject property(ies). However, for MTO, copyright is not reserved to the authors but resides solely with MTO providing MTO reproduces the report in its entirety for circulation. The appraisers do not accept responsibility for damages resulting from the inappropriate use of the appraisal by parties not holding a registered interest in the subject property(ies)."

Note:

The appraisal **must not** include the following statement **"this report is only valid if it bears the original signature(s) of the author(s)"**, since providing copies as required above, photocopies may have to be made.

LETTER OF TRANSMITTAL:

It will contain the effective date and the final conclusion of value. It must be dated and signed (NOT ELECTRONICALLY OR BY SIGNATURE STAMP) by the appraiser and must contain a statement that the appraiser has personally inspected the subject (with inspection date) and comparable properties used in the analysis.

It must state that the appraiser has discussed the sale particulars with at least one of the parties or agent of one of the parties involved in each comparable sale transaction. If this is not possible, the transaction must be identified and the attempted discussions documented in the appraisal.

UNITS OF MEASUREMENT:

All units of measurement will be in the **IMPERIAL SYSTEM**. All comparable sales and supporting data are to be reported in imperial units. The only exception is in the final summary where the metric equivalents may be shown if so requested.

PAGE NUMBERING:

All single format appraisals should be sequentially numbered. Page numbering of a multiple appraisal report causes confusion and should not be numbered after Section 1 being Introduction, General Area Analysis & Categories.

MARKET VALUE:

The definition of market value for those properties involving MTO acquisition of programmed (re)construction with the possibility of enacting the privilege of expropriation is **"the amount that the land might be expected to realize if sold in the open market by a willing seller to a willing buyer in accordance with Section 14(1) of the Expropriations Act."**

Market value for all other assignments is **"the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, assuming the price is not affected by undue stimulus."** Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interest
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

VALUATIONS BASED ON CASH EQUIVALENCY:

All valuations, unless specifically outlined in the contract, are based upon cash or cash equivalency. Therefore, the appraiser must ascertain the terms of financing involved in the comparable property transaction and estimate the influence of any favourable or unfavourable financing, if any, on the sale price.

Unacceptable practices are:

1. failure to accurately report the specific terms of any existing or proposed financing of the subject property, when financing may have an impact on the appraisal problem;
2. failure to estimate and report the effect of favourable or unfavourable financing terms on value;
3. failure to analyse and make appropriate adjustments to a comparable sale that included favourable or unfavourable financing terms as of the date of sale, when comparing the sale to the property being appraised; and
4. failure to state that financing data on a comparable sale is not available despite diligent investigation, and that reliance on the particular sale is thus limited.²

PHOTOGRAPHS AND SKETCHES:

Photographs **must** be clear and show all improvements, any special features and all items that will be removed/replaced as a result of pending (re)construction (i.e., obstacles, structures, trees, fencing, driveway/entrance treatments). They **must** be dated and indicate direction in which they are taken.

Sketches **must** show the entire property, north point, location of buildings, major natural features, entrances, easements, wells, septic tanks and beds, fencing, etc. and where applicable the ministry's property acquisition requirements. Dimensions of the property and ministry requirements, with the approximate distance between existing structures and the highway **must** be shown. The local names of roads **must** be indicated with the distance from the subject to an identifiable point or landmark (i.e. intersection of roads). Photocopies of portions of survey plans are unacceptable unless the entire property is shown and all the above features are added. (Reductions must be legible).

DESCRIPTION OF THE PROPERTY:

All physical features (including but not limited to site dimensions, area, topography, grade level of site in comparison with the road), all legal encumbrances (i.e. easements, rights-of-way, etc.), all improvements (i.e. structures, fencing, wells, septic beds, etc.) must be described in the appraisal report.

- (a) All lands must be topographically described and in the case of farm properties the amount of arable land estimated.
- (b) If a building is affected by the ministry requirement, it must be inspected and a detailed description with measurements, floor plan and photographs of the interior included with the report. Where the building is not affected by the ministry's acquisition, a brief description will be considered adequate. Any factors influencing the value estimate must be discussed.
- (c) Should the physical inspection of the property or knowledge gained by the appraiser in completing the appraisal report identify the potential for contamination problems/concerns in regard to the property being appraised, the appraiser will contact the ministry's representative, as outlined in the contract, to relay the concerns and obtain instructions as to how to proceed.
- (d) Where the Highest and Best Use of the subject property is estimated to be for Future Development Lands, the actual amount of "developable" lands **must** be determined.

HISTORY OF SUBJECT PROPERTY:

When relating the sales history of the subject property, the appraiser **must** review the "title search" if provided by the ministry. Any relevant prior sales of the subject property should be considered and analysed and active listings of the subject property noted. The date and instrument number of at least the last arms length transaction **must** be noted including consideration paid and any other relevant facts (i.e. mortgage data, easements, rights-of-way, etc.).

LAND USE REGULATIONS:

- (a) **ZONING** Include zoning designation, by-law number and approval dates plus a brief summary of permitted uses. Copies of relevant sections of the by-law and zoning map **must** be included in the addenda of the report.
- (b) **OFFICIAL PLAN** All existing official plan designations together with approval dates must be included and where appropriate a discussion of possible changes in the municipal planning status. Copies of relevant sections of the Official Plan(s) and map(s) **must** be included in the addenda of the report.

SERVICES:

This section should discuss the adequacy, capacity and availability of municipal services, together with the possibilities and costs of expansion or extension of the services to cover any proposed development relevant to the valuation.

ACCESS:

The status and type of the existing access(es) to a specific road/highway must be described. In the case of vacant lands or when there is no physical access present, the appraiser must confirm with the appropriate authorities the location, number and type of access which may be permitted.

HIGHEST AND BEST USE:

It is imperative that a discussion and reasoned statement of highest and best use be incorporated into all valuations. The analysis of a property's highest and best use is fundamental to the appraisal process and the estimation of a property's value cannot be completed without first estimating the property's highest and best use conclusion.

Unacceptable practices are:

1. failure to define highest and best use;
2. failure to support the conclusions; and
3. failure to consider the highest and best use of the land as if vacant and the property as improved if applicable.³

APPROACHES TO VALUE:

An adequate explanation of the approach or approaches (i.e. **Income; Cost; Direct Comparison**) utilized must be included. The Cost Approach when utilized, must be supported by either a **recognized cost services manual, i.e. Stevens Valuation Quarterly/Boeck**, with use of the appropriate forms from that Manual or by **qualified contractor's estimate(s)**. If the Cost Approach is to be utilized as the main approach to value a minimum of two methods of costing should be utilized.

MARKET DATA ANALYSIS:

In all approaches to value a logical analysis **must** be undertaken indicating the reasoning process utilized, the adjustments made and the appropriate support for the rationale employed.

In the Direct Comparison Approach each comparable sale **must** be accurately described. The reasoning behind each adjustment **must** be given, justified, and the degree of comparability discussed. The indicated market value range for the subject, in comparison to each of the comparable sales, **must** be given at the end of the discussion of each comparable. The valuation analysis should lead the reader to a qualified and logical conclusion with respect to the comparable sales relied upon.

FINAL ESTIMATE OF VALUE:

This section **must** include a summary of the approaches to value utilized and the range of value estimated. The rationale for placing most weight on a specific approach or value range must be discussed. The final statement should indicate the appraisers' final opinion of value (not a value range). Note: Any rounding of value estimates should occur at this point in the report and rounding should always be upwards.

ADDENDUM MUST INCLUDE:

(1) Comparable Sales/Listing Data Sheets

The sales data sheets may be included on separate sheets in the text or the addendum of the report. Sales data sheets **must** include a sketch in accordance with the standards outlined in this document. All sales data sheets should include clear photographs of the comparable property (especially when improved properties are being appraised), in accordance with the requirements outlined in this document. Regardless of where the comparable sale/listing sheet is located in the report, the sales data sheet **must** summarize the following data:

- (a) appropriate/relevant signing and registration dates;
- (b) length of time on the open market;
- (c) instrument number;
- (d) assessment roll number
- (e) legal description;
- (f) grantor and grantee;
- (g) size of site (acreage, frontage, depth);
- (h) consideration (unit rate if applicable);
- (i) terms (i.e. cash, existing mortgage and new mortgage);
- (j) land use regulations (i.e. zoning, official plan designations, etc.);
- (k) services; and
- (l) any other pertinent comments pertaining to the comparable sales/listing.

(2) Location map showing the location of the subject property and all comparable sales. (Note: Map **must be legible to facilitate the location of sales).**

- (3) Any pertinent land use regulations, zoning by-laws, extracts from official plans, health authority certification, etc.
- (4) Any pertinent correspondence.
- (5) Contractors estimates etc.
- (6) Any Comparable Sales or Adjustment Charts not in the body of the report.

EXPROPRIATIONS ACT PROVISIONS

The provisions of the Expropriations Act must be followed in all appraisals involving property acquisition for programmed (re)construction, with the possibility of enacting the privilege of expropriation. Below are relevant sections of the Expropriations Act that may require the consideration of the appraiser.

The Expropriations Act in Section 13 provides that compensation payable to an owner shall be based on:

- (A) **MARKET VALUE**
- (B) **DAMAGES ATTRIBUTABLE TO DISTURBANCE**
- (C) **DAMAGES FOR INJURIOUS AFFECTION**
- (D) **ANY SPECIAL DIFFICULTIES IN RELOCATION**

The appraiser will consider all of factors which can be identified at the time of the appraisal, but by their nature certain items may not be readily evident at that time, and will be dealt with at a later date by the ministry.

(A) MARKET VALUE

- (a) **Definition of Market Value** - "the amount that the land might be expected to realize if sold in the open market by a willing seller to a willing buyer". (Section 14 (1) of the Expropriations Act).
- (b) **Special Purpose Properties** - certain properties may have only nominal market value under the terms defined above. Such properties may include hospitals, schools, churches, etc., and in these instances the appraisers conclusion of value "shall be deemed to be the reasonable cost of equivalent re-instatement, provided the owner intends in good faith to relocate in some other premises". (Section 14 (2) of the Expropriations Act). **Reference - Churchill Branch, Royal Canadian Legion vs Metro Toronto (19 L.C.R. 337).**

Should the appraiser encounter such a situation, it is important the ministry contact be notified and the situation discussed. In certain cases, the property may then be appraised at the reasonable cost of equivalent reinstatement which by interpretation is deemed to be the depreciated reproduction cost **Reference - Gray Coach Lines vs City of Hamilton (1 L.C.R. 181).**

Care must be taken to ensure that a special purpose building is one in which there is no market demand for that purpose. The interpretation applied by the courts is fairly general in this respect. The purpose need not be specifically identical but have a market value for a use generally in the category of the current use. **Reference - Coach Lines vs City of Hamilton (3 L.C.R. 1).**

- (c) **Partial Acquisitions** - A substantial part of the ministry's appraisal work is related to partial acquisitions. Normally the Before and After method of valuation is utilized. See Section 14 (3) of the Expropriations Act and Section C of this manual for guidance.

- (d) **Separate interests** - Care must be taken to ensure that where there are separate interests (i.e. tenants, easements, etc.), other than that of a mortgage, each interest is valued separately. (Section 16 of the Expropriations Act).
- (e) **Items Affecting Value to be Disregarded** - When estimating market value the effect of the following items shall be disregarded;
 - (1) the special use to be put to the lands by the Ministry, (Sect. 14 (4) (a) of the Expropriations Act),
 - (2) any increase or decrease in value, resulting from MTO's proposals, (Sect. 14 (4) (b) of the Expropriations Act),
 - (3) any value attributable to an illegal use of the property (Section 14 (4) (c) of the Expropriations Act).

Under Section 14(4) of the Expropriations Act, any increase in value to the property caused by the ministry works is normally disregarded. If a proposal to construct a highway results in a general increase in land prices in the area, this cannot be taken into account, either when estimating the value of the land required or when estimating the value of the land remaining.

There is one important exception in this respect. If, following the construction, certain of the remaining lands would increase in value as a direct result of the work to be undertaken, this increase can be deducted from any compensation due for injurious affection **only**, but **not** the market value of the land required. (Section 23 of the Expropriations Act).

As an example, the situation might arise where ministry construction of a highway facility resulted in injurious affection being payable because of the proximity of the highway to the residence. At the other end of the property, perhaps an intersection was constructed, creating a severance and leaving the owner with land adjacent to an intersection with development potential it would not otherwise have had but for the ministry's proposal.

If it can be proven as of the date of, and as a direct result of expropriation, the land at the intersection increased in value due to its new potential for other uses, then this increase could be offset against the injurious affection allowed on the residence. The onus to prove the betterment in some definite amount lies solely with the Expropriating Authority. **Reference - Diesel Equipment vs MTO (13 L.C.R. 30) and LaFleche vs MTO (8 L.C.R. 77).** This increase in value cannot however be used to offset the payment for any part of the market value of the land acquired.

When this offset is considered, care must be taken to ensure that there is adequate support indicating the increase in value as of the effective date of the appraisal. It is not sufficient to indicate that the portion sold at a substantially higher price some time later. **LaFleche vs MTO (8 L.C.R. 77).**

(B) DAMAGES ATTRIBUTABLE TO DISTURBANCE

One of the problems encountered in dealing with Disturbance Damages is the confusion which exists between the general liability for disturbance under Section 13 (2) (b) and the particular

grounds for claims under Sections 18 and 19. For many years, it was held that for a claim to succeed under Section 13 (2) (b), it must be specifically under "the umbrella" of one of the items in Section 18 or 19.

The tendency has been for the Ontario Municipal Board and the Courts to make more general types of award without, in some instances, specifying whether the award was made under Section 18 or 19, or under Section 13 (2) (b).

It must be remembered that the Expropriations Act is intended to provide full and fair compensation for all aspects of disturbance damages, provided the damage incurred is not too remote and is a natural and reasonable consequence of the expropriation.

The majority of damages, under this heading, may not be apparent as of the date of the appraisal, and will be dealt with by the ministry's staff at a later date. However, some items must be specifically considered by the appraiser as the report is prepared, such as:

- (a) **Highest and Best Use** - Where the market value has been estimated in a highest and best use which differs from the existing use, no compensation for disturbance to the existing use is payable. It is essential therefore, that where the value is based on a use other than the existing use, this is clearly identified in the appraisal (Section 13 (2) of the Expropriations Act).
- (b) **Improvements Not Reflected in the Market Value** - Subsection 18 (1)(a)(ii) provides an allowance for improvements where the value of which is not reflected in the market value of the land.

The classic example often quoted in this instance, is of special ramps constructed in a residence for wheel chair operations which might even detract from market value. More common examples which should be considered carefully are "over-improvements" to residential properties by owners for their own satisfaction. Such an example might be the construction of a tennis court at a cost of \$8,000 which perhaps would only add \$2,000 or \$3,000 to the market value of an entire property. A very costly recreation room or swimming pool might also qualify for some allowance under this section.

These items should be well substantiated, but in general, proven costs actually incurred by owners which are not reflected in full in the market value, may qualify for an allowance under this section.

- (c) **Development Delay** - Reference is made to recent **Supreme Court of Canada (Court File No. 24695) ruling (January 30, 1997) - Dell Holdings Ltd. v. Toronto Area Transit Operating Authority**, wherein the Court ruled that development delay may be a compensable item associated with the expropriation process and may be treated as disturbance damage. The appraiser should exercise a great deal of caution when addressing this topic of compensation, and contact with all appropriate ministry officials is imperative.

(C) DAMAGES FOR INJURIOUS AFFECTION

Owners are entitled to be compensated where their property is injuriously affected (Section 21).

Injurious affection may arise regardless of whether any land is acquired from an owner or not.

- (a) Where lands are acquired, injurious affection caused both by the construction and the use of the work is compensable, as per the provisions of the Expropriations Act (Section 1 (1) (a) (i))
- (b) Where no lands are acquired, only damages relating to the construction are compensable. (Section 1 (1) (a) (ii)). **Reference - St. Pierre vs MTO (38 L.C.R. 1).**

In both cases, the damages are related both to the reduction in market value and to personal and business damages.

The assessment of injurious affection is an integral part of the appraisal assignment. Where lands are acquired, typical forms of injurious affection (but not an all inclusive list) are:

- (a) **Proximity Damage** - Occurs when the location of the highway is altered to such an extent that evidence demonstrates a justifiable and not too remote reduction in the value (enjoyment and/or utility) of the improvements.
- (b) **Over-Improvement of Buildings on the Remainder of the Property** - Often encountered in agricultural properties where a fairly substantial partial taking leaves the owner with buildings and equipment of greater capacity than needed for the remainder of the property. It must be remembered, when the appraiser utilizes sales of improved properties for the land value conclusion, some measure of over-improvement has already been considered and compensated for in the value conclusion.
- (c) **Change of Access** - Replacement of an existing access, while providing similar utility, may have a substantial effect on the after value of the property considered. A very lengthy driveway on a residential property would, for example, involve additional maintenance. On a commercial property a difficult access, restricted/limited access or access from a different road might adversely impact on the business potential of the property being appraised.
- (d) **Goring** - This term is used to identify the effect of a partial acquisition on the shape of the remaining lands. With agricultural lands, for example, although the total acreage required by MTO may be small, if a substantial proportion of the remaining lands are left in a long narrow strip there could be a loss in usable acreage. Consideration should be given to additional costs of operation under these conditions and allowances made where warranted.

With vacant land with a potential for future development, the shape of the remaining land is also important. Whereas maximum utility can be made of a regularly shaped parcel, an odd shape resulting from a partial acquisition might well reduce the utility and might cause a reduction in the unit value of the remaining lands.

- (e) **Severance Damage** - The division of a parcel into two or more parts by a partial acquisition may produce smaller and perhaps irregularly shaped parcels thereby restricting utility. The consequences of this division may be a reduction in value of the remaining parcels and as such an allowance for injurious affection may be appropriate.

- (f) **Change in Entrance Grade** - By raising or lowering the elevation of the highway substantially, it is possible for injurious affection to occur to properties. In residential properties a steep driveway might be very difficult to use in winter months and might be a concern to prospective purchasers. In this case it is conceivable that a purchaser might offer something less for the property because of this condition. In commercial properties the exposure to highway traffic might well be the important factor in the business potential. In every case, the possibility of injurious affection must be examined carefully and substantiation obtained to justify any such payment under this heading.
- (g) **Visual Exposure** - When considering injurious affection under this category the appraiser's attention should be focused on some recent O.M.B. and Divisional Court rulings - **Tanenbaum Estate v. Ministry of Transportation (1992), 49 L.C.R., 121; Captain Developments Ltd. v. Ministry of Transportation (1993), 50 L.C.R., 176; and Airport Corporate Centre Inc. v. Ontario (1995), 55 L.C.R., 135 (Ontario Municipal Board), (1996), 58 L.C.R. 2(Divisional Court).** A great deal of investigation and justification will be required in each individual situation.

The above are common examples of injurious affection. There are others and it is essential that the appraiser consider carefully the impact on the property once the requirements are removed. The most practical measure of injurious affection is to value the whole property prior to the requirements, and value the remainder subject to the effects of the acquisition/construction. The difference between these two values will represent the value of the lands acquired inclusive of the injurious affection. By deducting the estimated value of the land requirement from the total difference, the estimated compensation as a result of the injurious affection will result.

(D) ANY SPECIAL DIFFICULTIES IN RELOCATION

It is very rare that any item under this heading will be included in the appraisal report. However, if during discussions with the owner, it becomes apparent that there are special difficulties, then this fact should be recorded in the report, even if it merely consists of a recital of the owners concerns and the basis for same. The more advance notice the ministry has of the problems, the better equipped the ministry will be to deal with the owner's concerns.

The Expropriations Act in Section 15 provides that a residential property owner is entitled to such additional compensation as may be necessary to enable the owner to relocate to a residence in accommodation that is at least equivalent to the accommodation expropriated.

When this situation arises, it should be discussed with the ministry contact, who will provide the appraiser with the necessary instructions to provide an estimate of the entitlement under Section 15 of the Expropriations Act.

**PARTIAL ACQUISITION OF LAND FOR PROGRAMMED HIGHWAY
(RE)CONSTRUCTION
(Valuation of Strip Widening and Project Appraisals)**

Before completing an appraisal report for any partial acquisition, it is important for the appraiser to have an understanding of the Expropriations Act (see Section B of this manual). Notwithstanding this statement, the necessity for the use of common sense in approaching to these appraisal problems is imperative for the valuation of partial acquisitions. It is essential that each property, within the project limits, is examined individually and the various aspects of compensation categorized and separately itemized in the conclusions.

Let us consider an appraiser who deals with this situation strictly according to accepted appraisal techniques and procedures. The appraiser will examine the property and decide the task is to estimate the loss in market value caused to the property. Using the definition of market value as supplied in Section 14 (1) of the Expropriations Act, the appraiser would realize there is no open market for this land. The appraiser would presumably proceed to the definition under Section 14 (3) of the Expropriations Act and complete the appraisal strictly on a "before and after" basis.

In some instances, especially where the damages have been quite severe, this will provide an accurate and correct method of estimating the loss incurred by the owner. The difficulties are apparent however. While the estimate of the "before" value is reasonably straightforward by comparable sale methods, the "after" value is often strictly a judgement call as there are very few comparable sales of similar properties sold after the damages had been incurred. Nevertheless, the principle has been addressed and the resulting estimate is as accurate as can be obtained under the circumstances.

It is when the damages are fairly nominal that problems arise. For example, a house is located on a two acre site with a 60 foot setback. The acquisition of ten feet from the frontage in many instances leaves the property afterwards just as saleable as before the taking, and accordingly no compensation would be payable.

It is imperative (statutory law) that compensation must be paid for all land acquired. Notwithstanding appraisal definitions and techniques, where property rights are to be acquired, owners **must** be compensated.

The fundamental point an appraiser must bear in mind therefore, is that where the "before and after" values indicate a nominal or no loss in value, the appraiser's task then becomes to estimate an **Equitable Basis for Compensation** and not **Loss in Market Value**. It must also be remembered that "subject property" is the "before" whole property; while the MTO requirement is referred to as the partial acquisition.

Once this point is appreciated the difficulties in relating such compensation to loss in market value are removed.

In instances therefore, where such an approach is required, normal compensation is assessed as follows:

1. Compensation for actual land required at a price per unit estimated from an analysis of comparable sales; and
2. Specific compensation for improvements lost to the owner such as landscaping, driveway etc.

3. Any Injurious Affection.

It is important to maintain reasonable continuity and compensation equity throughout the project. Equity should not only be considered when dealing with all the properties within each category, but equity must also be maintained across all categories within the project. The following guidelines may be of assistance to the appraiser.

1. Residential Lands

In estimating the value for the land required, it is frequently noted that each property is of a different size, but evidence indicates a purchaser will pay a fixed price per site with only a minimal variation for site size. To achieve equity the most logical approach in this instance is to estimate the price paid for an average sized vacant lot, calculate a rate per square unit, and apply this throughout the category. Alternately, it may be more preferable to estimate the value of an average size residential lot within the parameters of a specific category. The value of this average size residential lot is then divided by the size of each subject property. Each owner is not necessarily compensated at the same unit rate, but all are compensated on a consistent lot value basis (i.e. as the size of properties within the individual categories increases, all other things being equal, the overall value of these properties would also tend to increase).

In either case, common sense and appropriate adjustments must be used, if the result using this method is unrealistic. Loss of improvements within the widening strip including loss of lawn, asphalt/gravel drive, trees, landscaping, fencing and other such obstacles/features will be considered by the appraiser, and will be discussed more fully later in this section.

2. Vacant and Improved Agricultural Lands

The rate per unit for improved farms is the normal criterion used. Damages such as goring, fencing, etc. are evaluated separately. In some areas, a farm residence is located reasonably close to the road in an area where there is a mixture of farm and residential strip development. Although no severance has been made, the farm residence has the appearance of a typical residential property with a normal setback from the highway. In order to achieve equity, it is ministry policy to use the bylaw stated minimum lot frontage for residential sites multiplied by the depth of the land required, and value the requirements from this theoretical residential area at the vacant residential land rate. The balance of the property required would be valued at the appropriately estimated improved agricultural rate.

3. Industrial Lands

The market rate for vacant industrial lands should form the basis for the estimate of loss in value for the land with additional consideration for the loss of paving and all other improvements. Consideration must be given to situations where a loss of parking area, loading facilities or other operational items result in functional depreciation to the value of the remaining property. If substantiated, this would be included in the "before and after" valuation of the property, unless it can be dealt with as a cost-to-cure. This estimate will include the value of the land required together with the estimated depreciation.

4. Commercial Lands

The market rate for vacant commercial lands should form the basis for the estimate of loss in value for the land with additional consideration for the loss of paving and all other improvements. Problems arise when the lands are improved with a business and other improvements such as parking facilities, light standards, gasoline dispensing equipment, and landscaping etc. The interference with the normal functioning of parking or access as a result of ministry requirements is often a major consideration in a commercial appraisal and in many cases can only be dealt with under the heading of business loss.

5. Vacant Lands

The highest and best use of the land is estimated and the appropriate market unit rate applied - provided the utility of the land is not altered. For example, if a residential site is reduced below the minimum lot size by the requirements, a "before and after" approach with the "after" value being estimated in the changed lower use is the proper valuation technique. It is essential when dealing with vacant land that appraisers fully ascertain the highest and best use of the land in the "before" basis, considering all restrictions and regulations governing its use, to ensure the requirements do not alter this use. As a further point, where a reduction in area results in such a technical undersizing, the matter should be discussed with the local municipal authorities. The attitude/position of the Planning Board and/or Committee of Adjustment to this reduction must be considered and the resulting opinion(s) expressed and documented (if possible) in the appraisal.

6. Ontario Hydro Property Incumbered with Transmission Lines:

Whether the acquisition is done by deed or expropriation, the effect is to vest all right and title in the ministry. By agreement/policy, this ministry will permit Ontario Hydro to retain their present or relocated installations for so long as the public highway designation remains in effect. If the public road designation is removed while under the jurisdiction of the ministry, the ministry may grant an easement to cover the continued Ontario Hydro occupancy. The effect of this agreement/policy is to provide the ministry with an unencumbered fee in the highway right-of-way, and to provide Ontario Hydro with continued usage for their installations.

When this required land is appraised, the appraiser must first estimate the highest and best use of the unencumbered hydro corridor property based on recognized appraisal practices and procedures. In some cases, the Ontario Hydro lands may be viable for independent development, either in their present form or after subdivision. In these cases, the appraisal of such lands would be based on the normal analysis of comparable sales of lands with similar characteristics and utility. In the majority of cases, the hydro lands would be used in conjunction with abutting and/or adjoining lands as value in contribution. The first step would be to estimate the market value of the adjoining lands in their highest and best use.

The contributory value of the hydro corridor lands to these adjoining lands is then calculated based on the resulting unencumbered market value unit rate of the hypothetical overall property, without consideration as to whether the adjacent owners have any interest in acquiring the hydro corridor lands. In the case of agricultural / commercial / industrial

/ speculative adjoining uses, unit rates are generally fairly simple to estimate based on an analysis of the specific market involved. However, in the case of the hydro corridor passing through a fully developed residential subdivision, the value of the hydro corridor lands to the individual adjoining owners will generally be nominal. In such cases, the contributory market value rate of the hydro lands is to be based on the value of similar lands in the area being assembled for residential subdivision purposes (i.e. lands ready for development). Any size adjustment of comparable parcels should be based on the pre-subdivided, actual size of the adjoining subdivision lands including the hydro corridor lands.

Compensation for the lands required by the ministry, in all circumstances, will be based on 50% of the estimated market value of the unencumbered hydro property or the contributory value of the hydro lands to adjoining lands. This reduction of 50% to the market value/contributory unit rate reflects the ministry's receipt of the unencumbered fee in lands over which Ontario Hydro has continued usage for their installations.

7. Estimates for Cost-to-Cure Items:

For all Cost-to-Cure items (i.e. relocation of driveway pillars/markers, signs, light standards, septic systems, wells etc.), identified by the appraiser as being within the ministry's requirements, the appraiser will be expected to obtain at least one estimate, from a qualified contractor, to document the costs. If ministry policy requires further estimates, the contract will so state. Well and septic system relocations should be in compliance with Ministry of Environment and Energy Guidelines.

8. MTO Fixed Policy Regarding Loss of Lawn, Gravel/Paved Driveway, and Fencing:

The ministry maintains an update schedule of costs with regard to the loss of these specific items when located within the ministry's requirements. In this way, equity to the property owners is maintained across the province, regardless of which region or appraiser is involved. The ministry property contact will supply a copy of this schedule to the appraiser at the time of assignment.

Existing standard highway wire fence will be addressed as part of the ministry's construction project. Any other types of fencing should be discussed with the ministry's contact.

9. Building Inspections/Well Water Samples:

Should either of these items be required by the ministry for any purpose, it will be the responsibility of the regional property section to obtain same.

10. Options A and B for Landlocked Parcels:

From time to time, the ministry requirements create(s) landlocked parcel(s) of land. In such cases, the appraiser will estimate the value of the ministry's requirements and any injurious affection to the remaining lands under one option in the appraisal (**Option A**).

The appraiser will then estimate the value of the ministry requirements together with the acquisition of the entire landlocked parcel(s) in fee simple under a second option (**Option B**).

11. Properties Not Requiring Appraisal:

Open/unopen road allowances

Appraisal of property owned by an Ontario Government Ministry (unless otherwise instructed to do so)

Operating railways

12. Appraisal Updates and Section 25 of the Expropriations Act:

Appraisers will be required to prepare updated appraisal reports, for service under Section 25 of the Expropriations Act or for any other ministry purpose. The appraiser is expected to "revisit" **all** aspects of the previous appraisal report, and ascertain if **any** change leading up to the previous "Estimate of Compensation" payable has occurred. Said "revisit" will include, but not be restricted to: a physical inspection of the subject property; a complete review of municipal restrictions/regulations; a review of the Highest and Best Use analysis section; an update to the "Estimate of Market Value" section (including a review for update market data evidence); and a review of the "Final Estimate of Value" and "Estimate of Compensation" sections.

If there is no change in value (compensation), as estimated by the appraiser, the appraiser will complete and sign a covering letter (Schedule "C" in addenda of this handbook), which will be attached to and be intended to be read in conjunction with the original appraisal report.

If there is a change in value (compensation) as estimated by the appraiser, based **only** on a change of market conditions, and **not** a change of highest and best use, the appraiser will complete the same summary sheet as above, and include all the market data evidence collected to justify the conclusions.

If the change in value (compensation) is a result of a change in highest and best use, a completely new comprehensive self-contained report will be required.

Note: If the appraiser has employed the Before and After approach to value, there must always be a complete breakdown of the market value of the lands expropriated and the injurious affection.

SPECIAL APPRAISAL ASSIGNMENTS

Advance Purchase and Hardship Acquisition:

The current Provincial Highways Class Environmental Assessment document as approved by the Ministry of the Environment & Energy provides for advance property acquisition. Advance purchases of property will be premised on a willing buyer/willing seller, based on the following owner demonstrated hardship criteria:

If permits for development or redevelopment, which would otherwise have been approved, are denied because of the ministry's proposals.

OR

The property is substantially contained in the proposed Right-of-way and has not sold after being listed on the open market at a reasonable price for a reasonable period of time for that particular type of property.

The appraisal will follow the guidelines outlined for a self-contained single property report format. Special care must be given to the selection of comparable sale properties. **It is necessary to avoid properties which have sold under similar ministry initiated influences.**

The appraisal **must** include a discussion regarding the feasibility of leasing the property. Statements regarding the condition of any improvements, costs of future repairs, the property tax burden, environmental liabilities, safety concerns, etc., will be included. If deemed to be a profitable endeavour, an analysis of current market rent for similar properties will be prepared.

Easements:

For many years, there was a standard feeling that "the valuation of an easement is fifty percent of the market value". This is entirely erroneous, although from a practical point has been useful. It is based on a theory that where an owner and a utility are using the same property, each have use of the land for their own purposes and therefore, it is equitable that they each pay fifty percent of the cost. As we have grown more knowledgeable, this practice has fallen into disrepute and will not be accepted in any arbitration proceeding.

In the **City of Sarnia vs The Interprovincial Pipelines**, the Ontario Municipal Board sets out quite clearly that the value of an easement is reflected in the loss of value to the land, and for practical purposes therefore, the valuation follows the same rules as apply for injurious affection (i.e., the "before and after" approach). In assessing this, in addition to examining carefully the rights given by the grant of easement, it is necessary to assess the effect of these rights on the market value of the property. This could vary depending upon the location of the easement. For example, an easement permitting the installation of a trunk sewer across the frontage of land would not affect the market value, as it is located parallel to the road and in front of the building line.

If the easement is situated diagonally across the property, it could conceivably destroy all development potential and reduction in the market value of the property may be considerable.

When purchasing land which is subject to an easement the value of the land unencumbered should be estimated using normal appraisal practice. The effect of the easement upon the land must then be estimated by deducting from this amount, the market value of the land as encumbered by the easement. Similarly, when offering land for disposal, the market value of the unencumbered land should be estimated, the restrictions again considered and the market value adjusted for these restrictions for the final estimate.

Temporary Easements:

Temporary Easements are acquired by this ministry for such things as detours and working areas around structures. Normally, Temporary Easements are valued as a temporary rental of the land to be used. The market value of the land required, multiplied by the current interest rate (prime interest rate) over the period the temporary easement as required, is an acceptable method of calculation. Any injurious affection factors which may flow from the temporary easement must also be considered in the appraisal report.

Dedications and Dedications by Consent:

Where land is subdivided, draft plans of subdivision are submitted to various Provincial authorities for review, with one of the reviewing authorities being this ministry. In instances where the proposed subdivision contains lands which are required for present or future right-of-way purposes, the subdivider-owner is required at draft plan approval to set aside the lands required in the form of a dedication, as a condition of final approval of the subdivision.

In cases where lands are the subject of a severance application to the Land Division Committee of a municipality, the approving authority (i.e. the Municipality) at the request of the Minister, will ask that lands required for future highway purposes be dedicated by consent as a condition of approval. In accordance with the Planning Act, only those lands from the newly created parcel can be dedicated as a condition of approval.

Dedications by Plans of Subdivision:

When all tentative requirements and various conditions have been received from all the approval authorities, draft approval is given to the plan, subject to all the various requirements and conditions attached. The subdivider is then required to satisfy these conditions of approval. Once all these conditions and requirements have been satisfied, final approval is given and the plan registered. At this time the dedications are public highways, but no highway authority is responsible for them, or answerable in liability for the use, until such time as, by specific act, the relevant authority makes them part of that authority's highway system. In the ministry's case, acquisition is by registration of an assumption plan, preliminary assumption plan or a notice of assumption in accordance with Section 6 of the Public Transportation and Highway Improvement Act.

Dedication by Consent:

Draft approval is given subject to Municipal requirements (conditions). The Subdivider/Applicant is required to satisfy all conditions of approval. Once this is done the lands required are transferred by deed.

There is no statutory obligation in law to pay for such dedications and dedication by consent. Where such dedicated lands are to be acquired, they must be appraised in accordance with ministry policy.

DISPOSITION OF MTO LAND

Part of the ministry's land management program involves the selling of surplus property. The estimate of market value requires careful consideration, when the number of potential purchasers is restricted due to access or land locking problems and the only logical potential purchaser is an adjoining owner (see Schedule D).

(a) VIABLE PARCELS

These are properties which can be sold on the open market. The highest and best use should be estimated, and the market value concluded as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, assuming the price is not affected by undue stimulus". (See Page A3)

(b) NON-VIABLE PARCELS

Following construction or improvement of a highway, there are often small parcels of land surplus to requirements which are not saleable as viable properties. These may consist of very small parcels below minimum size for independent use, irregularly shaped parcels, parcels with poor or no access and similar deficiencies. The appraisal of these parcels for disposal presents special problems.

It should be borne in mind, that the value reached by the appraiser will be used by the ministry in their negotiations to sell this property. Each property should be examined carefully on its own merits and the highest and best use estimated in contribution to each and any adjoining property. The objective of the appraisal will be to estimate the increase in value to an adjoining owner's holdings if they were to acquire the surplus parcel. The appraiser should, based on market evidence or expert opinion, consider an appropriate adjustment for lack of/or limited marketability potential of the land, bearing in mind any/all possible motivational factors the potential purchaser(s) may hold, together with and including all other adjustments considered necessary to reflect the contributory value of the subject property.

The format of the appraisal should be the standard appraisal format, and specific attention should be paid to the potentials of "highest and best use", and where a value in contribution is estimated, it must be clearly identified. In the case of a landlocked parcel where there are two or more adjacent owners, it may be necessary to examine each situation separately, and the values for the various owners in contribution may vary well. In essence, this is a "before and after" value where the "after" value will be in excess of the "before" value, rather than the reverse situation normally encountered.

CHECK LIST

To assist the appraiser in reaching conclusions, the following questions should be asked:

1. What is the highest and best use?
2. Is it useable as a separate entity?
3. Could access be provided directly? To a local road?
4. Is value only in contribution to adjoining land?
5. If there is more than one adjoining property, does it contribute more to one than another?
6. If it adjoins other MTO surplus land, would an assembly of the surplus parcels be feasible, more profitable, or both? (Normally this will be known prior to the appraisal assignment).
7. Could access be provided if the surplus parcels were assembled?
8. Could access be purchased at a cost commensurate with the increase in value?
9. Could a change of zoning be obtained if advantageous?
10. What is the "before" value of the adjoining property or properties concerned?
11. What is the value of the combined property?
The appraiser's recommendations should always include:
 - (a) Sketch indicating, in proportion, how the surplus land would relate to the adjoining property.
 - (b) Details of the adjoining properties, including the existing use, and the highest and best use with the addition of the surplus land.
 - (c) A complete explanation of the reasoning and calculation of value in contribution where this represents the highest and best use.
12. Difference in value (10); (11) is value in contribution of MTO surplus lands.

MTO'S REVIEW OF THE APPRAISAL REPORT⁴

MTO has taken on a "hands-off" approach when an MTO assignment is completed by a consultant. The consultant is clearly responsible for the quality of the finished product, including errors and/or omissions.

MTO's review function is not to influence opinions and/or estimated values. It is an attempt to secure an **approvable and justifiable** valuation, within a **measurable degree of probability** which serves the intended purpose for which the appraisal is required.

The ministry expects all appraisal reports to meet the Code of Professional Ethics of the Appraisal Institute of Canada and the Uniform Standards of Professional Appraisal Practice together with adherence to all ministry appraisal requirements and guidelines as stated in this handbook.

The final assessment of the appraisal will be a tool to establish the consultant's compliance with ministry standards and guidelines. The results of the assessment can be an element in establishing a performance rating of the consultant and the consultant's ability to obtain additional assignments from the ministry.

It is MTO's responsibility to:

1. monitor the appraiser's progress;
2. seek clarification and required correction to appraisal deficiencies;
3. perform mandatory reviewing requirements;
4. secure proper performance from the appraiser in accordance with the signed contract and instructions given;
5. ensure fair and just compensation to all parties for the acquisition and/or disposition of property;
6. give the final approval to appraisal, valuation, and compensation matters;
7. complete an evaluation of the quality and performance of the appraisal services rendered.

The following errors and/or deficiencies exemplify those which could result in MTO not accepting the appraisal report, and/or completing an evaluation which records the poor quality and performance of the appraiser.

1. contract specification not followed;
2. typing, grammatical, and punctuation errors;
3. mathematical errors;
4. poorly reproduced copies;
5. poor format;
6. poor quality and/or relevance of supporting exhibits, documents and other materials;
7. loading appraisal with "Chamber of Commerce" type of data without relating factual data to analysis;
8. inadequate details on history of the subject property;
9. errors in any of the salient characteristics of the property;
10. failure to properly consider zoning or potential zoning and other restrictions affecting value;
11. inadequate substantiation/rationale for "highest and best use";
12. not adequately searching market for sales, listings, and leases;
13. using sales data of properties too different in size, use, location, etc. for the analysis to estimate market value;
14. failure to fully analyse and adjust all comparable data;
15. inconsistent adjustment pattern;
16. values derived on assumptions which are not consistent with the highest and best use statement;
17. making unsupported adjustments to the comparable sales data;
18. using techniques and procedures not appropriate to the problem;
19. lack of clarity or explanation of appraiser's reasoning or procedures;
20. appraiser using less experienced assistance without adequate supervision and disclosure;
21. updates inconsistent with the original findings or going through the motions of updating without making any changes or making substantial changes with weak justification.

ADDENDA

SCHEDULE A

Format: Single Property Report

for

Acquisition of Programmed
(Re) Construction, Advance
Purchases, and Dedications

and

Disposition - Excluding Non-
Independently Viable Properties

FORMAT: SINGLE PROPERTY REPORT

for

**ACQUISITION OF PROGRAMMED (RE)CONSTRUCTION, ADVANCE PURCHASES,
AND DEDICATIONS,**

and

DISPOSITION - EXCLUDING NON-INDEPENDENTLY VIABLE PROPERTIES

- 1. TITLE PAGE**
- 2. LETTER OF TRANSMITTAL**
- 3. LIMITING CONDITIONS - including any environmental statement(s)**
- 4. TABLE OF CONTENTS**
- 5. SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**
 - (a) Owner's Name
 - (b) Address of Owner (including phone number)
 - (c) Contact Person (including phone number)
 - (d) Legal Description
 - (e) Assessment Roll Number
 - (f) Size of Property and improvements
 - (g) Zoning and Official Plan Designation
 - (h) Services
 - (i) Present Use
 - (j) Highest and Best Use
 - (k) Effective Date of Valuation
 - (l) Value Estimate(s) and Compensation Breakdown for programmed (re)construction
- 6. PURPOSE OF THE APPRAISAL**
- 7. DEFINITION OF (MARKET) VALUE - as appropriate see page A3**
- 8. EFFECTIVE DATE OF APPRAISAL**
- 9. PROPERTY RIGHTS APPRAISED**
- 10. (1) GENERAL AREA AND ECONOMIC ANALYSIS**

The Regional Data will be discussed first and should cover the following points as applicable:

- (a) Geographic Location

- (b) Resources and Economic Base
- (c) Population and Trends
- (d) Transportation (all forms)
- (e) Other factors pertinent to the type of property being appraised.
- (f) Summary

(2) NEIGHBOURHOOD ANALYSIS

Cover the following points as applicable:

- (a) Delineate the boundaries
- (b) State of transition
- (c) Percentage built up
- (d) Types of improvements
- (e) Social, Education and Cultural Amenities
- (f) Shopping and commercial facilities
- (g) Summary of and Comments on properties listed for sale
- (h) Services
- (i) Real Estate Summary.

11. SUBJECT PROPERTY PHOTOS AND SKETCH

12. DESCRIPTION OF THE SUBJECT PROPERTY

13. HISTORY OF SUBJECT PROPERTY

14. OTHER REGISTERED INTERESTS INCLUDING TENANTS, EASEMENTS, ETC.

15. LAND USE REGULATIONS

- (a) Zoning
- (b) Official Plans
- (c) Other (i.e. potential for amendment, if any)

16. SERVICES

17. ACCESS

18. HIGHEST AND BEST USE

Note: ITEMS 19 AND 20 ARE ONLY REQUIRED FOR PROPERTY ACQUISITION AS A RESULT OF ADVANCE PURCHASE BUY OUTS AND PROGRAMMED (RE)CONSTRUCTION

19. MINISTRY REQUIREMENTS

Should describe in detail the size, shape and reason for the requirements. Proposed construction details can be obtained through the MTO contact as specified in the contract.

20. EFFECT OF REQUIREMENTS

MTO's acquisition of the requirements must be discussed in terms of the effect on the remaining property. The appraiser should always keep in mind the potential for Injurious Affection and Damages, as well as consideration for Betterment and Set-off of Damages. Changes to the highest and best use of the subject, after the loss of the ministry's requirements must be fully and logically explained and substantiated.

21. APPROACHES TO VALUE

22. MARKET DATA ANALYSIS

Note: ITEM 22, FOR PROPERTY ACQUISITION AS A RESULT OF ADVANCE PURCHASE BUY OUTS, MUST ALSO INCLUDE A RENTAL ANALYSIS

23. FINAL ESTIMATE OF VALUE

Note: ITEMS 24 IS ONLY REQUIRED FOR PROPERTY ACQUISITION AS A RESULT OF PROGRAMMED (RE)CONSTRUCTION

24. SUMMARY OF COMPENSATION AND EFFECT OF MINISTRY REQUIREMENTS FOR REGISTERED OWNERS AND TENANTS

Must include compensation for market value of land, loss of compensable items (i.e. fencing, gravel, trees, landscaping, etc.), any injurious affection, replacement costs.

Summary **must** address all registered owners and tenants even when compensation is nil and the ministry's (re)construction has no affect to the registered owner/tenant.

25. CERTIFICATION

26. ADDENDUM

SCHEDULE B

Format: Multiple Owner Appraisal
Report

for

Acquisition Programmed (Re)
Construction

FORMAT: MULTIPLE OWNER APPRAISAL REPORT

for

ACQUISITION PROGRAMMED (RE)CONSTRUCTION

Where a project appraisal is required including acquisition from a number of properties , and comparable market data is common to more than one of the impacted properties, a Multiple Valuation Report employing the Category concept may be prepared.

The report should be assembled to create four self contained sections. Section 1 should appear first in the report with Section 4 at end. Sections 2 & 3 may appear at the discretion of the appraiser. Details are outlined below.

SECTION 1: INTRODUCTION & GENERAL ANALYSIS

This section will include data and analysis that is applicable to all types of property included in the project. This will alleviate the potential duplication of data in the individual reports which follow in Section 2.

This section should address a minimum of the following topics:

1. TITLE PAGE
2. LETTER OF TRANSMITTAL
3. LIMITING CONDITIONS
4. TABLE OF CONTENTS
5. PROJECT DESCRIPTION
6. PURPOSE OF THE APPRAISAL
7. DEFINITION OF MARKET VALUE-according to EXPROPRIATIONS ACT
8. EFFECTIVE DATE OF APPRAISAL
9. PROPERTY RIGHTS APPRAISED
10. GENERAL AREA, ECONOMIC AND NEIGHBOURHOOD ANALYSIS
11. APPROACHES TO VALUE

SECTION 2: INDIVIDUAL PROPERTY REPORTS

The individual property reports will meet the same requirements for a single self-contained report with the exception of items of a general nature that have been presented in the previous section *Introduction and General Analysis*. Furthermore, when the Category Approach has been utilized in the market data analysis, it is not necessary to provide the market data analysis portion in the individual reports section. In situations where the category method is not used, the detailed market data analysis and correlation will be incorporated into the individual reports section.

This section should address a minimum of the following topics:

1. SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS
 - (a) Owner's Name
 - (b) Address of Owner (including phone number)
 - (c) Contact Person (including phone number)
 - (d) Legal Description
 - (e) Assessment Roll Number
 - (f) Size of Property and Improvements
 - (g) Zoning and Official Plan Designations
 - (h) Services
 - (i) Present Use
 - (j) Highest and Best Use
 - (k) Effective Date of Valuation
 - (l) Value Estimate
 - (m) Statement of Affect and Compensation for each Registered Interests (if applicable Compensation should be broken down into Loss of Market Value, Injurious Affection, Cost to Cure, Special Damages)
2. PHOTOGRAPHS AND SKETCH OF SUBJECT AND MTO REQUIREMENTS
3. DESCRIPTION OF THE PROPERTY
4. HISTORY OF SUBJECT PROPERTY
5. OTHER REGISTERED INTERESTS
6. LAND USE REGULATIONS
7. SERVICES
8. ACCESS
9. HIGHEST AND BEST USE
10. MINISTRY REQUIREMENTS

Should describe in detail the size, shape and reason for the requirements. Proposed

construction details can be obtained through the MTO contact as specified in the contract.

11. EFFECT OF REQUIREMENTS

MTO's acquisition of this property must be discussed in terms of the effect on the remaining property. The appraiser should always keep in mind all areas of Injurious Affection and Damages, as well as consideration for Betterment and Set-off of Damages. Changes to the highest and best use of the subject, must be fully and logically explained and substantiated.

12. FINAL ESTIMATE OF VALUE

13. CALCULATIONS TO ESTIMATE COMPENSATION

(as applicable, Compensation should be broken down into Loss of Market Value, Injurious Affection, Cost to Cure, Special Damages)

14. SUMMARY OF COMPENSATION FOR ALL REGISTERED INTERESTS (even if nil)

15. CERTIFICATION

SECTION 3: MARKET VALUE ANALYSIS OF EACH PROPERTY CATEGORY

This section includes all the justification and support for the market value unit rate estimated for each individual category. Comparable sale/listing data must be analysed and developed into a final estimated market value rate. This rate will be applied to the appropriate subject property to estimate compensation.

A table of adjustments **must** be included for each market value rate which is being estimated. The table should clearly state the time adjusted sale price, adjustments, and the final adjusted sale price.

For each rate, a separate map illustrating the location of the comparable properties **must** be completed. The location of subject properties should not be included on these maps; however, the area of the highway which relates to the proposed (re)construction should be delineated.

SECTION 4: ADDENDUM

This section of the report should contain all pertinent exhibits, correspondence, land use and regulatory excerpts, comparable sale/listing data sheets, etc. as would typically appear in a complete narrative self-contained report.

Property # _____

RE: Owner _____
Legal Description _____
Township of _____
Regional Municipality of _____
Part#, Expropriation Plan# _____
W.O. _____
Tenant: _____ (if appropriate)

As requested, an inspection of the subject property and an investigation of local real estate market conditions has been completed. The purpose of this investigation is _____.

The Ministry has expropriated (X sq. ft./ac.) of land, shown as Part _____ on Plan P- _____ which was registered in the Land Registry Office for the Registry Division of _____ on _____, as Plan _____.

This appraisal report is supplementary and additional to, and intended to be read in conjunction with the original appraisal report which was dated _____, and prepared by _____.

This property was known as Property _____ in the original appraisal report. (where appropriate)

The Highest and Best Use of the subject has not changed.

The effective date of this update is _____. The review of the local market conditions has demonstrated that no time adjustments are required and no change to the original estimate(s) of market value (and compensation) is (are) required.

NOTE: Effective date supplied by MTO based on Notice of Election.

SIGNATURE REQUIRED

SCHEDULE D

Format: Single Property Report

for

Disposition of Non-Independently
Viable Properties

FORMAT: SINGLE PROPERTY REPORT

for

DISPOSITION OF NON-INDEPENDENTLY VIABLE PROPERTIES

- 1. TITLE PAGE**
- 2. LETTER OF TRANSMITTAL**
- 3. LIMITING CONDITIONS** - including any environmental statement(s)
- 4. TABLE OF CONTENTS**
- 5. SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**
 - (a) Owner's Name
 - (b) Address of Owner (including phone number)
 - (c) Contact Person (including phone number)
 - (d) Legal Description
 - (e) Assessment Roll Number
 - (f) Size of Property and improvements
 - (g) Zoning and Official Plan Designation
 - (h) Services
 - (i) Present Use
 - (j) Highest and Best Use
 - (k) Effective Date of Valuation
 - (l) Value Estimate(s)
- 6. PURPOSE OF THE APPRAISAL**
- 7. DEFINITION OF MARKET VALUE**
- 8. EFFECTIVE DATE OF APPRAISAL**
- 9. PROPERTY RIGHTS APPRAISED**
- 10. (1) GENERAL AREA AND ECONOMIC ANALYSIS**

The Regional Data will be discussed first and should cover the following points as applicable:

- (a) Geographic Location
- (b) Resources and Economic Base
- (c) Population and Trends
- (d) Transportation (all forms)
- (e) Other factors pertinent to the type of property being appraised.
- (f) Summary

(2) NEIGHBOURHOOD ANALYSIS:

Cover the following points as applicable:

- (a) Delineate the boundaries
- (b) State of transition
- (c) Percentage built up
- (d) Types of improvements
- (e) Social, Education and Cultural Amenities
- (f) Shopping and commercial facilities
- (g) Summary of and Comments on properties listed for sale
- (h) Services
- (i) Real Estate Summary.

11. SUBJECT PROPERTY PHOTOS AND SKETCH

12. DESCRIPTION OF THE SUBJECT PROPERTY

13. HISTORY OF SUBJECT PROPERTY

14. OTHER REGISTERED INTERESTS INCLUDING TENANTS, EASEMENTS, ETC.

15. LAND USE REGULATIONS

- (a) Zoning
- (b) Official Plans
- (c) Other

16. SERVICES

17. ACCESS

18. HIGHEST AND BEST USE (Value in Contribution)

19. DESCRIPTION OF ADJOINING PROPERTIES

20. HISTORY OF ADJOINING PROPERTIES

21. LAND USE REGULATIONS OF ADJOINING PROPERTIES

- (a) Zoning
- (b) Official Plans
- (c) Other

22. SERVICES/ACCESS OF EACH ADJOINING PROPERTY

23. ANALYSIS OF THE ADJOINING PROPERTY THAT WOULD RECEIVE THE GREATEST BENEFIT FROM THE ADDITION OF SUBJECT PROPERTY

24. HIGHEST AND BEST USE (ADJOINING PROPERTY AS ABOVE)
25. APPROACHES TO VALUE
26. MARKET DATA ANALYSIS
27. ESTIMATE OF VALUE (ADJOINING PROPERTY)
28. DESCRIPTION OF OVERALL PROPERTY (SUBJECT PROPERTY + ADJOINING PROPERTY)
29. DISCUSSION OF OVERALL PROPERTY LAND USE REGULATIONS, SERVICES AND ACCESS
30. HIGHEST AND BEST USE OF OVERALL PROPERTY
31. MARKET VALUE ANALYSIS
32. ESTIMATE OF VALUE (OVERALL PROPERTY)
33. FINAL ESTIMATE OF MARKET VALUE FOR SUBJECT PROPERTY
 - Before Value (Adjoining Property)
 - After Value (Overall Property)
 - Value In Contribution of Subject Property:
"After value (overall property) minus before value (adjoining property)"
34. CERTIFICATION
35. ADDENDUM

SCHEDULE E

Endnotes

ENDNOTES

1. Uniform Standards of Professional Appraisal Practice, 1995 Canadian Supplement, Published in Canada by the Appraisal Institute of Canada.
2. Guide Notes to the Standards of Professional Practice of the Appraisal Institute of Canada, Guide Note 8 - Cash Equivalency in Value Estimates, Distributed January, 1995, Page G8.
3. Guide Notes to the Standards of Professional Practice of the Appraisal Institute of Canada, Guide Note 6 - Highest and Best Use, Distributed January, 1995, Page G6.
4. National Association of Review Appraiser & Mortgage Underwriters, Principles and Techniques of Appraisal Review, 5th Edition, Published by Todd Publishing Inc., 1995, pages 41, 113-123.

